

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2020-229-E**

**April 14, 2021**

IN RE:

|   |                              |
|---|------------------------------|
| Dominion Energy South Carolina, )       |                              |
| Incorporated's Establishment of a )     |                              |
| Solar Choice Metering Tariff Pursuant ) | <b>SOUTH CAROLINA OFFICE</b> |
| to S.C. Code Ann. Section 58-40- )      | <b>OF REGULATORY STAFF'S</b> |
| 20 (See Docket No. 2019-182-E) )        | <b>POST-HEARING BRIEF</b>    |
| _____ )                                 |                              |

**I. INTRODUCTION**

Pursuant to S.C. Code Ann. Regs. 103-851, the South Carolina Office of Regulatory Staff (“ORS”) respectfully submits this Post-Hearing Brief to address the contested issues litigated before the Public Service Commission of South Carolina (“PSC” or “Commission”) during the merits hearing held in this Docket on February 23, 2021 through March 2, 2021.

This matter comes before the Commission following the enactment of the South Carolina Energy Freedom Act (“Act 62”); specifically, S.C. Code Ann. § 58-40-20 of Act 62.<sup>1</sup> S.C. Code Ann. § 58-40-20 instructed this Commission to establish a Solar Choice Metering Tariff to go into effect for customer-generator applications received after May 31, 2021. S.C. Code Ann. § 58-40-20 (F)(1) (Supp. 2019). Act 62 directed the Commission to create a Solar Choice Metering Tariff that would (1) eliminate any cost shift to the greatest extent practicable on customers who do not have customer-sited generation while also ensuring access to customer-generator options for

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<sup>1</sup> House Bill 3659, R. 82 was signed into law by South Carolina’s Governor Henry McMaster on May 16, 2019, as Act 62.

customers who choose to enroll in customer-generator programs; and (2) permit solar choice customer-generators to use customer-generated energy behind the meter without penalty. S.C. Code Ann. § 58-40-20 (G) (Supp. 2019). The Commission opened this docket on September 17, 2020.

Out of DESC's approximately 770,000 customers across South Carolina, approximately 11,000 have chosen to participate in DESC's net energy metering ("NEM") program. As the only party tasked with representing the interests of the using and consuming public with respect to public utility services, ORS focused its testimony on the elimination of the cost shift onto DESC's approximately 759,000 customers who do not choose to participate, or cannot participate, in DESC's NEM program.

### **PROCEDURAL HISTORY**

On June 14, 2019, the Commission held an Advisory Committee meeting to discuss procedural and scheduling matters pertaining to all of the Act 62 dockets. By Commission Order No. 2020-622, the Commission moved to adopt a procedural schedule for this docket.

Petitions to Intervene were filed by the following parties: Vote Solar; South Carolina Coastal Conservation League ("CCL"); Southern Alliance for Clean Energy ("SACE"); Upstate Forever; North Carolina Sustainable Energy Association ("NCSEA"); Solar Energy Industries Association ("SEIA"); Alder Energy Systems, LLC ("Alder"); and Frank Knapp, Jr.. All Petitions to Intervene were approved.<sup>2</sup> The South Carolina Office of Regulatory Staff is a party of record by statute. S.C. Code Ann. § 58-4-10.

In Order No. 2020-622, the Commission instructed DESC to file Direct Testimony on December 15, 2020; all intervenors to file Direct Testimony on January 22, 2021; DESC to file

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<sup>2</sup> See Order Nos. 2020-725; 2020-820; 2020-821; 2020-112H; 2020-107H; 2021-6H.

Rebuttal Testimony on February 12, 2021; and all intervenors to file Surrebuttal Testimony on February 19, 2021, with a hearing scheduled to commence on February 24, 2021. On January 11, 2021, the Commission's Clerk's Office issued the 2<sup>nd</sup> Revised Notice of Filing and Hearing and Prefile Testimony Deadlines.

On December 15, 2020, DESC filed the Direct Testimony and Exhibits of Allen W. Rooks and Scott Robinson, and the Direct Testimony of Daniel F. Kassis and Margot Everett. By letter filed on January 7, 2021, ORS requested an extension for the remaining testimony dates. No party objected to the request, and the testimony dates were changed per the request. On January 22, 2021, CCL, SACE, Upstate Forever, Vote Solar, SEIA, and NCSEA filed the Direct Testimony and Exhibits of R. Thomas Beach. SEIA and NCSEA filed the Direct Testimony and Exhibit of Justin R. Barnes. Alder filed the Direct Testimony and Exhibits of Donald R. Zimmerman. ORS filed the Direct Testimony and Exhibits of Brian Horii and Robert A. Lawyer. After receiving confirmation from DESC for the removal of confidential designations, ORS filed the revised Direct Testimony and Exhibits of Brian Horii on February 5, 2021, and SEIA and NCSEA filed the revised Direct Testimony and Exhibits of Justin R. Barnes on February 8, 2021.

On February 12, 2021, DESC filed the Rebuttal Testimony of Margot Everett, Daniel F. Kassis, and Scott Robinson. On February 19, 2021, CCL, SACE, Upstate Forever, Vote Solar, SEIA, and NCSEA filed the Surrebuttal Testimony of R. Thomas Beach. SEIA and NCSEA filed the Rebuttal Testimony of Justin R. Barnes. CCL, SACE, and Upstate Forever filed the Surrebuttal Testimony and Exhibits of Eddy Moore. Alder filed Direct and Rebuttal Testimony together of Donald R. Zimmerman.

## II. STANDARD OF REVIEW

On May 16, 2019, the Governor of South Carolina signed Act 62 into law; Act 62 pertains to a range of issues related to the expansion of renewable energy generation and utility resource planning, and it provides the Commission with both increased direction and discretion in determining the most appropriate path forward for renewable energy development in South Carolina. Through Act 62, the General Assembly stated its intent was to:

- (1) build upon the successful deployment of solar generating capacity through Act 236 of 2014 to continue enabling market-driven, private investment in distributed energy resources across the State by reducing regulatory and administrative burdens to customer installation and utilization of onsite distributed energy resources;
- (2) avoid disruption to the growing market for customer-scale distributed energy resources; and
- (3) require the Commission to establish solar choice metering requirements that fairly allocate costs and benefits to eliminate any cost shift or subsidization associated with net metering to the greatest extent practicable.

S.C. Code Ann. § 58-40-20 (A) (Supp. 2019).

Prior to the establishment of this docket and in accordance with S.C. Code Ann. § 58-40-20 (C), on May 28, 2019, the Commission opened a Generic Docket<sup>3</sup> to:

- (1) investigate and determine the costs and benefits of the current net energy metering program; and

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<sup>3</sup> See Docket No. 2019-182-E. The final Commission order in Docket No. 2019-182-E, which will determine and define the costs and benefits of solar, will help aid the Commission in adopting Solar Choice Metering Tariffs.

- (2) establish a methodology for calculating the value of the energy produced by customer-generators.

Pursuant to S.C Code Ann. §58-40-20 (D), the Commission was to consider five (5) components in assessing the costs and benefits of the current NEM program:

- (1) the aggregate impact of customer-generators on the electrical utility's long-run marginal costs of generation, distribution, and transmission;

- (2) the cost of service implications of customer-generators on other customers within the same class, including an evaluation of whether customer-generators provide an adequate rate of return to the electrical utility compared to the otherwise applicable rate class when, for analytical purposes only, examined as a separate class within a cost of service study;

- (3) the value of distributed energy resource generation according to the methodology approved by the commission in Commission Order No. 2015-194;

- (4) the direct and indirect economic impact of the net energy metering program to the State;

and

- (5) any other information the commission deems relevant.

Should the Commission determine there is an allowable cost shift, the Commission must make an affirmative finding based upon the preponderance of evidence that such cost shift is reasonable, prudent, and made in the best interest of DESC's general body of customers. 2019 S.C. Acts 393

### **III. DISCUSSION OF THE HEARING**

The Commission conducted a virtual proceeding in this matter due to the COVID-19 Pandemic starting on February 23, 2021, and continuing through March 2, 2021. All parties and witnesses appeared virtually. The witnesses' testimonies were read as if given orally from the stand and exhibits were moved into the record.

Dominion Energy South Carolina, Incorporated (“DESC”) was represented by K. Chad Burgess, Esquire and Matthew W. Gissendanner, Esquire. Vote Solar was represented by Bess J. Durant, Esquire and Thadeus B. Culley, Esquire. CCL, SACE, and Upstate Forever were represented by Katherine Lee Mixson, Esquire. NCSEA was represented by Jeffrey W. Kuykendall, Esquire and Peter H. Ledford, Esquire. SEIA was represented by Jeffrey W. Kuykendall, Esquire. Alder was represented by R. Taylor Speer, Esquire. ORS was represented by Jeffrey M. Nelson, Esquire, Andrew M. Bateman, Esquire, and Jenny R. Pittman, Esquire.

DESC presented Daniel F. Kassis as its first witness. Witness Kassis, Vice President of Customer Relations and Renewables for DESC, described how DESC developed the proposed Solar Choice Metering Tariffs, explained how Docket No. 2019-182-E was used in the development of the proposed Solar Choice Metering Tariffs, and explained how DESC’s proposal complied with Act 62. The hearing reconvened on February 24, 2021, and DESC presented witness Margot Everett, the Director for Guidehouse. Witness Everett explained the current NEM tariff structure and associated cost shift and presented the details of the design of DESC’s proposed Solar Choice Metering Tariffs. Next, DESC presented witness Scott Robinson, the Associate Director in the Advances Solutions Group at Guidehouse, who testified regarding the customer economics of distributed or behind-the-meter rooftop solar adoption in DESC’s service territory. Witness Robinson explained the methodology and assumptions made by Guidehouse in the analysis of the customer economics of solar photovoltaic adoption under the proposed Solar Choice Metering Tariffs and provided the forecasted customer adoption of rooftop solar under DESC’s proposal. The hearing reconvened on February 25, 2021, and DESC presented its final witness, Allen W. Rooks, the Manager of Electric Pricing and Rate Administration for DESC. Witness Rooks presented DESC’s proposed Solar Choice Metering Tariffs, explained the

components of the proposal, and addressed the transition of existing NEM customers to the new Solar Choice Metering Tariffs. Witness Rooks concluded DESC's presentation of its case.

The hearing reconvened on February 26, 2021, with Alder witness Donald R. Zimmerman, Chief Executive Officer of Alder. Witness Zimmerman testified to the effects of DESC's proposed Solar Choice Metering Tariffs on commercial and industrial distributed generation ("D&G"). Next, CCL, SACE, Upstate Forever, Vote Solar, SEIA, and NCSEA presented R. Thomas Beach. Witness Beach, principal consultant of Crossborder Energy, proposed a new residential Solar Choice Metering Tariff, the Joint Clean Energy Solar Choice tariff.

The hearing reconvened on March 1, 2021, with SACE, CCL, and Upstate Forever witness Eddy Moore, Energy & Climate Program Director for CCL. Witness Moore provided Surrebuttal Testimony in response to Witness Kassis, Witness Lawyer, and Witness Horii regarding the requirements of Act 62.

Next, NCSEA and SEIA presented Justin R. Barnes, Director of Research with EQ Research, LLC. Witness Barnes provided an analysis of DESC's proposed Solar Choice Metering Tariff and proposed an alternative tariff design.

ORS then presented Robert A. Lawyer, Deputy Director of Energy Efficiency and Renewables in the Utility Rates and Services Division of ORS. Witness Lawyer provided an overview of ORS's position and recommendations in this proceeding. Witness Lawyer testified that ORS focused on the elimination of any cost shift. The hearing reconvened on March 2, 2021, with ORS's final witness, Brian Horii, a Senior Partner with Energy and Environmental Economics, Inc. ("E3"). Witness Horii testified that ORS did not object to DESC's proposal and provided two (2) modifications to the proposed Solar Choice Metering Tariffs to further reduce the cost shift of the proposed rates.

Pursuant to Commission Order No. 2021-26, a virtual public hearing was held on March 23, 2021. The virtual public hearing reconvened on March 25, 2021, followed by responsive arguments from the parties.

#### **IV. STATEMENT OF THE CASE**

DESC, through its testimony, presented proposed Solar Choice Metering Tariffs for residential customer-generators and small general services customer-generators that largely comply with Act 62.<sup>4</sup> DESC's proposal aligns with the rate design components presented in the NEM Generic Docket and contains key elements of an ideal Solar Choice Metering Tariff. ORS recommends the Commission approve DESC's proposal, subject to ORS's recommendations which will further reduce the cost-shift in accordance with Act 62. Those recommendations:

1. Reduce the Subscription Fees to better align with cost causation, with remaining transmission and distribution ("T&D") revenue to be recovered through increased time of use ("TOU") energy charges, and
2. Modify the TOU energy charges to be calculated based on the energy that customer-generators are expected to purchase from DESC, rather than the energy that would have been consumed by the customer prior to the installation of solar.

#### **V. LEGAL ARGUMENT**

ORS represents the public interest of South Carolina, with "public interest" defined as "the concerns of the *using and consuming public with respect to public utility services*, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services." S.C Code Ann. § 58-4-10 (B) (Supp. 2019) (emphasis added). The General Assembly set forth guidelines for the Commission to

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<sup>4</sup> See Rooks Direct Exhibit AWR-1 and AWR-2.



follow in approving a utility's Solar Choice Metering Tariff. S.C. Code § 58-40-20 (Supp. 2019). Act 62 requires the Commission to:

- 1) Eliminate any cost shift to the greatest extent practicable on customers who do not have customer-sited generation while also ensuring access to customer-generator options for customers who choose to enroll in customer-generator programs; and
- 2) Permit solar choice customer-generators to use customer-generated energy behind the meter without penalty. S.C. Code Ann. § 58-40-20 (G).

A customer-generator is a complex class of customer, as defined by S.C. Code Ann. § 58-40-10 (C) (2015). A customer-generator is an owner, operator, lessee, or customer-generator lessee of an electric energy generation unit which generates energy from a renewable energy source at their premises which is interconnected to an electric utility's grid. ORS represents the *using and consuming public with respect to public utility services*; it is the purchase of power from the public utility that is reflected in the ORS mission. ORS's representation for customer-generators who choose to install or lease rooftop solar as well as non-participating customers is in regard to the rates paid to the utility in exchange for electric service. The price of the power sold by the customer-generator to the public utility is decided by the Commission based on Commission rules and regulations and Act 62. In summary, ORS represents the customer and customer-generator when the customer *buys* power from the utility and does not represent the utility or customer-generator in relation to the savings or compensation from the renewable energy facility.<sup>5</sup> ORS represents the customers by ensuring that the costs incurred by the utility for purchased power are minimized and prudent.

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<sup>5</sup> ORS's representation of a utility's customers also extends to the price a utility pays a customer-generator for power sold back to the grid, as those costs will be recoverable through a utility's rates from all customers pursuant to S.C. Code Ann. §58-27-865. The price paid by a utility for power purchased from a customer-generator must be at or below avoided cost, as determined by the Commission.

ORS, as the sole party representing the public interest, or customers, in this proceeding, focused its analysis and recommendations on the elimination of *any* cost-shift from customer-generators to non-solar customers, pursuant to ORS's statutory mission and the requirements of Act 62. The interests of the utility were represented by DESC itself, and the interests of the solar industry and customer-generators were well represented by the remaining eight (8) intervening parties – several of whom represent or are in the business of selling, leasing, and marketing goods and services related to rooftop solar. It is important to recognize the varying interests of the parties appearing in this proceeding in determining compensation for customer-generators and any impacts future rates will have on all of DESC's customers, not just DESC's customer-generators. Testimony presented by other parties in this proceeding did not comply with Act 62's requirement of reducing the cost-shift burden on non-solar customers to the greatest extent practicable as the reduction of the cost-shift is in opposition to those parties' interests.

#### DESC'S PROPOSAL

DESC's two (2) current NEM programs for existing customer-generators and customer-generators applying prior to May 31, 2021, DESC's Rider to Retail Rates – Second NEM for Renewably Energy Facilities and DESC's Rider to Retail Rates – Third NEM for Renewable Energy Facilities, will expire on December 31, 2025 and May 31, 2029, respectively.<sup>6</sup> The current programs provide significant benefits to current customer-generators, which results in a considerable cost shift to non-participants.<sup>7</sup> It is true that DESC's proposal substantially reduces the cost shift for new solar installations compared to the cost shift experience for the existing NEM tariffs.<sup>8</sup>

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<sup>6</sup> Rooks Direct p. 4, ll. ll. 1-11.

<sup>7</sup> Everett Direct p. 3, ll. 18-21.

<sup>8</sup> Lawyer Direct p. 4, ll. 20-21.

Witness Everett testified the intent behind DESC's proposed Solar Choice Metering Tariffs was first to comply with Act 62, specifically the reduction of the cost-shift to the greatest extent practicable.<sup>9</sup> Witness Everett testified that a review of the best practices in NEM programs from the NEM Generic Docket showed several key rate features that could help alleviate the extent of the cost-shift in order to comply with Act 62.<sup>10</sup> Components like time differentiated rates, net billing, and fixed charges, demand charges, and minimum bills used together can ensure the proper collection of fixed costs attributed to the customer-generator.<sup>11</sup> DESC's proposed Solar Choice Metering Tariffs include such components - a cost-based Basic Facilities Charge ("BFC") along with a subscription fee for renewable generators based upon their system size, a minimum subscription fee, TOU-based energy charges, and time-based avoided cost credits.<sup>12</sup>

ORS witness Horii testified DESC's proposed Solar Choice Metering Tariff aligned with the rate design components that E3 presented in its 2018 Report on Cost Shift in South Carolina.<sup>13</sup> The DESC proposal reduces the cost shift through 1) the termination of full retail rate credits for solar energy exported back to the utility, 2) the introduction of TOU energy rates that better reflect the variation in the costs of delivering energy over the course of a day, 3) the removal of T&D costs from inclusion in volumetric charges (per kilowatt hour), 4) incorporation of T&D costs into a Subscription Fee calculated based on the size of the system installed, and 5) increase in the monthly BFCs.<sup>14</sup>

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<sup>9</sup> Everett Direct p. 6, ll. 1-3.

<sup>10</sup> Everett Direct p. 4, ll. 13-15.

<sup>11</sup> Everett Direct p. 5, ll. 1-16.

<sup>12</sup> Rooks Direct p. 5, ll. 15-19.

<sup>13</sup> Horii Direct p. 5, ll. 14-15.

<sup>14</sup> Horii Direct p. 11, ll. 8-18.

### ORS RECOMMENDATIONS

While DESC's proposal substantially reduces the cost shift burden to non-solar customers, it does so differently than what was portrayed by DESC witness Everett.<sup>15</sup> Witness Horii explained DESC's method failed to account for bill changes due to the proposed BFC and Subscription Fee and failed to account for bill changes due to the customer-generators being billed on TOU energy rates rather than flat energy rates.<sup>16</sup>

### SUBSCRIPTION FEE

Witness Horii testified solar installation size is a weak indicator of how much a customer uses the utility's T&D grid and the Subscription Fee as proposed by DESC would be appropriate for a stand-alone solar installation connected directly to the DESC grid.<sup>17</sup> Witness Horii explained that for behind-the-meter solar generation, the customer-generator's use of the grid could be driven by the solar energy exports, the customer-generator's usage, or a dampened blend of energy export and usage.<sup>18</sup> Witness Horii testified a demand charge that bills customer-generators based on their maximum energy usage or energy exports back onto the grid would be more accurate and cost-correlated, but there are modifications that can be made to the Subscription Fee to make it more appropriate for customer-generators.<sup>19</sup> Witness Horii recommended the Subscription Fee proposed by DESC be reduced for residential customer-generators and small general service customer-generators to reflect the total cost of transmission and distribution ("T&D") for residential customer-generators and the T&D cost net of the avoided cost of solar for small customer-

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<sup>15</sup> Horii Direct p. 7, ll. 9-12.

<sup>16</sup> Horii Direct p. 7, ll. 17-20.

<sup>17</sup> Horii Direct p. 12, ll. 3-6.

<sup>18</sup> Horii Direct p. 12, ll. 6-10.

<sup>19</sup> Horii Direct p. 12, ll. 11-14.

generators.<sup>20,21</sup> Witness Horii testified these reductions provide rates that best reduce the cost shift over a wide range of solar installation sizes.<sup>22</sup>

### TOU RATES

DESC currently calculates the energy rates needed to achieve the revenue neutrality target for the typical non-solar customer by dividing the total energy costs needed in each TOU period by the customer usage prior to the installation of solar.<sup>23</sup> This results in an under-collection of those energy costs once solar is installed as the customer usage from DESC will be lower after the installation of solar.<sup>24</sup> By calculating the TOU energy rates using the customer usage after the installation of solar, the under-collection will be corrected and the cost-shift burden for non-solar customers will be reduced, in accordance with Act 62.<sup>25</sup> ORS further recommended an increase to the TOU energy rates in order to collect the T&D revenues that are not collected by the Subscription Fees.<sup>26</sup> This also reduces the cost shift that would otherwise be caused by customers adopting solar.<sup>27</sup>

## **VI. CONCLUSION**

This Commission, in adopting Solar Choice Metering Tariffs, must minimize the cost-shift to the greatest extent practicable and must find by a preponderance of the evidence that any cost shift that affects the general body of customers must be in their best interest. In order to achieve this, and based on the aforementioned testimony of record, the Commission should

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<sup>20</sup> Witness Horii's recommendation for the residential customer-generators Subscription Fee be reduced to \$3.25/kW-month and the small general service customer-generators Subscription Fee be reduced to \$3.59/kw-month are based on Order No. 2015-194. The forthcoming Order in Docket No. 2019-182-E may result in different rates, but the concept will remain the same.

<sup>21</sup> Horii Direct p. 13, ll. 11-15.

<sup>22</sup> Horii Direct p. 13, ll. 18-19.

<sup>23</sup> Horii Direct p. 15, ll. 16-18.

<sup>24</sup> Horii Direct p. 15, ll. 19-20.

<sup>25</sup> Horii Direct p. 15, l. 22 to p. 16, l. 2.

<sup>26</sup> Horii Direct, p. 16, ll. 3-4.

<sup>27</sup> Horii Direct, p. 16, ll. 4-6.

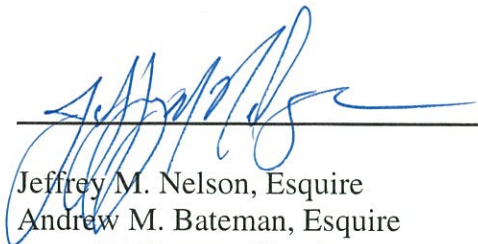
adopt the Solar Choice Metering Tariffs proposed by DESC, subject to the modifications recommended by ORS. DESC's proposal, with ORS's modifications, results in a near elimination of the cost-shift from customer-generators to non-solar customers, thereby complying with Act 62. ORS respectfully requests this Commission approve DESC's proposed Solar Choice Metering Tariffs, subject to the modifications put forth by ORS:

- a. The Subscription Fees shall be reduced to better align with cost causation, with remaining T&D revenue to be recovered through increased TOU energy charges; and
- b. The TOU energy charges shall be modified to be calculated based on the energy that customer-generators are expected to purchase from DESC, rather than the energy that would have been consumed by the customer prior to the installation of solar.

ORS also requests the Commission require DESC to track and report to the Commission on an annual basis the cost shift based on the avoided cost for solar customer-generators subscribing to the proposed Solar Choice Metering Tariffs. ORS recommends this annual tracking and reporting be filed in this Docket. ORS reserves the right to review and make recommendations on all cost shift impacts in any future DESC general rate case proceeding.

SIGNATURE ON NEXT PAGE

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Jeffrey M. Nelson', is written over a horizontal line.

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